

**STATEMENT OF THE NATIONAL FEDERATION OF THE BLIND
BEFORE THE COMMITTEE FOR PURCHASE FROM PEOPLE
WHO ARE BLIND OR SEVERELY DISABLED**

**Dallas, Texas
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Mr. Chairman and members of the Committee, my name is James Gashel. I am Executive Director for Strategic Initiatives for the National Federation of the Blind. My address is 1800 Johnson Street, Baltimore, Maryland 21230; telephone, (410) 659-9314, ext. 2227. Thank you for the opportunity to comment on governance issues relating to qualifications of Central Nonprofit Agencies and nonprofit agencies eligible to participate in the Javits-Wagner-O'Day (JWOD) program.

Many witnesses will appear in this proceeding to represent the views of nonprofit executives. They are particularly concerned that this Committee may decide to have a compensation ceiling as part of a responsible governance regulation. In the case of the National Federation of the Blind, our members are direct labor workers often employed by affiliates of National Industries for the Blind. We submit that good governance should include an agency-wide compensation plan and labor standards that are fair and equitable to all employees. Just as there are examples of JWOD executives with pay of \$500,000 a year and more, there are also examples of JWOD workers who are paid fifty cents an hour or less. If a governance standard is established to define and prohibit excessive executive pay, it follows that a comparable governance standard should also be established to define and prohibit exploitation of the blind and severely disabled JWOD workers.

Placing a ceiling on executive pay while failing to build a floor under labor pay in the JWOD program would be worse than doing nothing. According to program data, approximately 45,000 direct labor employees worked a total of 40,794,368 hours during fiscal year 2004 and received total compensation of \$326.2 million for the services they performed. Their average compensation was approximately \$8,000 for showing up and working an average of 900 hours during the entire year. If I were a JWOD executive earning compensation of a half million dollars with benefits and perks in addition, I would be ashamed to report annual pay for my workers of \$8,000. Assuring more full-time work and fair compensation would be my main responsibility. Likewise, the failure to produce better results for members of my workforce would also be my responsibility. I would not consider producing lots of low-wage, part-time jobs as a badge of honor.

The problem with the present discussion of governance is that workforce standards are virtually excluded. Good governance in the JWOD program should mean producing fulltime jobs and fair pay for blind and disabled people. This is the mission of the program. Delivering high quality results for blind and

disabled workers and not just good pay for executives is good governance. Rather than being exclusively concerned about regulating against excessive pay at the top, this Committee should also fulfill its responsibility to regulate against worker abuse at the bottom.

Requiring at least the minimum wage to be paid for each hour of work performed by anyone in direct labor in a JWOD job would be a small but important and symbolic step in the right direction. To its credit, National Industries for the Blind has endorsed this policy, and most if not all of its affiliates have implemented it. With the federal minimum wage presently at \$5.15 an hour, the annual wage for fulltime work would be \$10,712. This would be approximately 25 percent above the current average JWOD annual wage of \$8,000. Also, the minimum wage now in effect in some states is higher than the federal minimum and should be required if applicable.

Beyond this beginning standard, payment of the "prevailing wage," as compared to the minimum wage, is a reasonable expectation for more experienced JWOD direct labor workers. Regulations of the U.S. Department of Labor already provide guidance to JWOD agencies in determining prevailing wages for similar work performed by experienced, nondisabled workers in the area. These regulations are used to compute "commensurate wage" rates for disabled workers in accordance with section 14(c) of the Fair Labor Standards Act. However, rather than being used as a ceiling on wages for direct labor employees, application of prevailing wage rates should be required as a floor for experienced workers in the JWOD program.

I realize that many details would have to be considered, but the concept of the minimum wage for beginning workers, combined with the prevailing wage for experienced workers, is not complicated. Establishing a wage floor for work performed in the JWOD program is more a matter of principal than procedure. More than that, it is the right thing to do, and I would view it as a moral imperative.

The Fair Labor Standards Act was first established for American workers in 1938. Now, almost 70 years later the time has surely come for the principal of a wage floor to be applied to blind and disabled workers who are hired to produce products and services for use by the federal government. In fact, since the cost of labor is ultimately a factor in the price determination, this Committee is in a unique position to assure that exploitation does not occur. I would view this as a governance obligation of this Committee.

With a wage floor as a beginning, minimum standards for benefits should also be developed. At a minimum the standards should prohibit any distinction between the value or type of benefits provided to disabled and nondisabled employees. Artificial classification of disabled workers as "clients," denying them employee health insurance and other benefits, must cease. If this is not a matter

of good governance, it is at least a matter of right and wrong. Why should the executives at the top continue to receive employer-paid pension contributions, deferred compensation, fully-paid health insurance, vacation time, sick leave, and more while denying their blind and disabled workers time off even to receive training to improve their skills? Does this happen? Examine the facts, and you will find that it does.

Finally, this Committee should require acceptance of jurisdiction by the National Labor Relations Board as a condition of eligibility for nonprofit agencies to receive JWOD contracts. This would affirm the collective bargaining rights of disabled and nondisabled employees, but it would not impose a labor union unless chosen by the employees. The standard would be that collective bargaining would not be challenged. If good governance means anything, surely it means that the rights of employees must be recognized and respected, not resisted.

The current consideration of governance standards for nonprofit agencies in the JWOD program is unquestionably the result of recent scrutiny by the news media and members of Congress. People are asking if this Committee's price determinations contribute to the appearance of unchecked executive pay, but you should be asking a more pertinent question. Why does a program with gross receipts of over \$2 billion only produce an average annual wage of just about \$8,000 for the workers who perform 75 percent of the direct labor? I know there are explanations, but some would call this exploitation. The law requires that at least 75 percent of the direct labor hours must be performed by blind or severely disabled people working in a JWOD eligible agency. Speaking on behalf of these employees, good governance demands that you take their circumstances into account. If the blind and disabled are doing at least 75 percent of the production work under the law you administer, surely their wages and conditions of employment ought to receive your time, care, and consideration during the current proceeding. On behalf of the National Federation of the Blind, I thank you.